



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE
March 6, 2008

Joan McDonald, Commissioner
Department of Economic and Community Development

SB 399 AN ACT CONCERNING REGULATORY RELIEF FOR SMALL BUSINESSES.

SB 400 AN ACT ELIMINATING THE BUSINESS ENTITY TAX.

SB 543 AN ACT CONCERNING FEDERAL BLOCK GRANT FUNDS.

SB 548 AN ACT CONCERNING AN INTERIM REPORT ON ENTERPRISE ZONES.

The Department of Economic and Community Development (DECD) offers the following information with regard to the following bills:

With regards to *SB 399, An Act Concerning Regulatory Relief for Small Businesses*, DECD **supports** this proposal, which would focus on the establishment of a task force to study ways to provide regulatory relief for small businesses. Running a small business is very time consuming, and anything the government can do to help reduce, eliminate, or streamline certain requirements would be very much appreciated by the small business community.

Concerning *SB 400 An Act Eliminating the Business Entity Tax*. DECD **supports** this proposal which repeals the Business Entity Tax. Currently under section 12-284b of the Connecticut State Statutes, limited liability partnerships and companies, limited partnerships, and "S" corporations are required to pay \$250 each year as a business entity tax. What this equates to is a tax on small businesses which are the "backbone" of the Connecticut economy. This tax deters small businesses from growing in Connecticut and eliminating this fee can mean other investments by a small business. Elimination of this tax on small business will send a powerful message that Connecticut is competitive and we want businesses to grow here. This is also consistent with Governor Rell's proposal Senate Bill 28 which also proposes the entire repeal of this tax.

DECD supports the repealed of this tax in its entirety and any attempt to partially phase-out this tax would defeat the underlying purpose of this bill. The risk of continuing to collect a reduced tax from the companies far exceeds the benefit of knowing the company will continue to operate and employ Connecticut residents.

With regard to *SB 543 An Act Concerning Federal Block Grant Funds*, DECD offers the following comments in **opposition** to this bill. As you are aware, DECD administers the Federal Small Cities Block Grant Program (CDBG) on behalf of the federal government. On an annual basis, DECD issues an allocation plan for the legislature's review and comment. After receiving feedback from the Legislature in 2006 regarding the required 10% matching fee, DECD eliminated the requirement

for its 2007 funding round. Therefore, this matching requirement is no longer in place and this bill is not necessary. Additionally the department would raise concerns that this bill could impact the flexibility of administering a Federal program. Should the Department of Housing and Urban Development (HUD) issue new rules requiring a match then this would conflict with state legislation. Federal rules and guidelines would obviously supersede any state legislation. The concern would be that the time necessary to change the state law to conform to the federal guidelines could jeopardize federal funding if it cannot be expended in a timely fashion. The Department respectfully requests that the committee take no action on this bill.

Finally, regarding SB 548 *An Act Concerning an Interim Report on Enterprise Zones*, DECD offers the following comments. To date DECD has done the following to prepare for the report:

- Convened two meetings with Enterprise Zone coordinators to review the guidelines and reporting requirements.
- Visited each Enterprise Zone to meet with appropriate town staff and to review specific issues and to develop a marketing plan to collect the appropriate data needed to complete the interim report.
- Created an electronic form to be distributed to the Enterprise Zone coordinators (to collect required data).
- Created a database to store and manipulate the data in order to complete the required report.

DECD would also respectfully request the following clarification to the existing statute in order to insure that the correct information can adequately be collected. These changes are as follows:

(d) On or before July 1, 2011, and every five years thereafter, each business located within an enterprise zone that is certified to receive enterprise zone benefits shall electronically submit, in a format determined by the commissioner, a report to the municipality, which shall include, but not be limited to:

- (1) The name of the certified business receiving enterprise zone benefits;*
- (2) The enterprise zone address of each certified business receiving benefits;*
- (3) The date on which the business was first certified;*
- (4) The number of full-time jobs the certified business had at the time of application;*
- (5) The number of part-time jobs the certified business had at the time of application;*
- (6) The number of full-time jobs of the certified business filled by residents of the enterprise zone as of June thirtieth of each year since certification;*
- (7) The number of part-time jobs of the certified business filled by residents of the enterprise zone as of June thirtieth of each year since certification;*
- (8) The number of full-time jobs the certified business had as of June thirtieth of each year since certification;*
- (9) The number of part-time jobs the certified business had as of June thirtieth of each year since certification;*

- (10) The average annual wage paid by the certified business to its full-time employees as of June thirtieth of each year since certification;
- (11) The average annual wage paid by the certified business to its part-time employees as of June thirtieth of each year since certification;
- (12) The number of employees of the certified business eligible for health benefits as of June thirtieth of each year since certification;
- (13) The percent of average employee contribution to the health plan of the certified business as of June thirtieth of each year since certification;
- (14) The amount invested by the certified business in job training as of June thirtieth of each year since certification;
- (17) The amount invested by the certified business or property owner in the building or buildings residing at the enterprise zone address as of June thirtieth of each year since certification;
- (20) The amount of the personal property tax abatement awarded to the certified business as of June thirtieth of each year since certification;
- (21) The amount of the real property tax abatement awarded to the certified business as of June thirtieth of each year since certification;
- (22) The amount of personal property tax actually paid by the certified business to the municipality as of June thirtieth of each year since certification; and
- (23) The amount of real property tax actually paid by the certified business to the municipality as of June thirtieth of each year since certification.

Additionally, DECD would like bring to the committee's attention that there are an additional eight (8) "zones" that offer nearly the same benefits as Enterprise Zones. These zones are currently not captured in this report but may also be beneficial to review. They are as follows:

1. Contiguous Municipality Zone (CMZ)
2. Defense Plant Zone (DPZ)
3. Manufacturing Plant Zone (MPZ)
4. Enterprise Corridor Zone (ECZ)
5. Railroad Depot Zone (RDZ)
6. Urban Jobs Program (UJ)
7. Qualified Manufacturing Plants (QMP)
8. Entertainment Districts (ED)

Thank you for consideration of DECD comments on these bills. The department would be happy to provide assistance to the Committee in clarifying the language of the bills we have raised issues with.

